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24 September 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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**DIA AND DOS REVIEW
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GENERAL

1. Chou En-lai asserts Sino-Soviet talks "successfully concluded": Chinese Communist Premier Chou En-lai, leaving Moscow with his delegation on 22 September, asserted that the Sino-Soviet talks on "important economic and political problems" and on Sino-Soviet relations in general had been "successfully concluded."

Chou expressed "sincere gratitude" for the USSR's "great attention," praised the published agreements on the Changchun Railway and Port Arthur, spoke with enthusiasm of the "new stage of Communist construction" in the USSR, and reaffirmed his faith in the strength of the Sino-Soviet alliance.

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Comment: Chou's unusually effusive remarks provide no clear indication of Sino-Soviet agreements -- other than the published ones -- resulting from the five-week visit. However, his assertion on arrival that the talks would contribute to "peaceful building," his current reference to important economic problems, and his citing of Soviet construction achievements all suggest a new agreement on Soviet economic aid to China.

2. Soviet trade union delegation to present foodstuffs to Indian Red Cross: Moscow has announced that a five-man trade union delegation will be sent to India, with the concurrence of the Indian Government, to transfer the Soviet gift of foodstuffs to the Indian Red Cross.

The Indian Charge in Moscow informed the US Embassy that during his negotiations with the Soviet Government to have this aid distributed by the Red Cross rather than by the Communist-sponsored famine relief committee, Soviet officials asked permission to send a trade union delegation to India.

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25X1 The Charge added that he had tried to discourage this move and that he had no information regarding an agreement with the Indian Government for this mission to India. [REDACTED] 25X1

Comment: This decision to have a trade union delegation accompany the foodstuffs gift is further evidence of the great propaganda advantage Moscow hopes to derive. Comment on this aid has raised the volume of Soviet propaganda attention to India to its highest point of the year. Concurrently, Moscow is denouncing American grain shipments to India as unfit for food and claiming that while US wheat is not a gift, the Soviet Union's only aim is to help the starving population without linking this aid to any political considerations.

EASTERN EUROPE

3. Chief of Yugoslav Intelligence reports on Albanian situation: Admiral Manola, Chief of Yugoslav Intelligence, recently told the US Army Attache in Belgrade that there is a normal amount of discontent and unrest in Albania, but little chance that the Cominform regime will be overthrown.

25X1 Manola also said that the struggle between Hoxha and Shehu is real but that the cause and probable outcome are obscure. [REDACTED]

Comment: This analysis of the Albanian situation contrasts with the more alarmist tone of Yugoslav propaganda.

Activity by Yugoslav agents in Albania and among Albanian refugee groups has increased recently. There is no evidence, however, that the Yugoslavs would at this time engineer a coup from within Albania and set up a substitute government.

4. Grain delivery plans reportedly fulfilled in several Bulgarian regions: The Bulgarian Council of Ministers announced on 3 September that, as a result of the fulfillment of their compulsory grain delivery plans, free trade in wheat, barley, oats, and vetches, would thenceforth be permitted in the Khaskovo, Vratsa, Turnovo, and Plovdiv regions. [REDACTED] 25X1

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Comment: The districts referred to in this announcement are located in widely separated areas of northern and southern Bulgaria.

Although little information has been published during 1952 concerning the success of Bulgarian crops, on 4 September a Bulgarian newspaper referred to "the prolonged drought which has had unfavorable repercussions on fodder production in our country." Other reports have indicated that rigorous water and power restrictions were instituted in Sofia during August, probably as a result of drought conditions. It is believed that Bulgarian crop yields this year will be less than in 1951, when above-average harvests were obtained particularly in bread and coarse grains, due to very favorable growing conditions.

5. Hungarian Kossuth Day celebration turned into a "hate America" demonstration: Jozsef Revai, the ideological leader of the Hungarian Communist Party, devoted the greater part of his Kossuth Day speech to an attack on the "avaricious bourgeois slavedrivers in America" who had refused to support the Hungarian rebellion led by Kossuth in 1849. He did not refer to the fact that a Russian army helped the Austrians suppress the Hungarian rebellion. Revai also appealed to Hungarian-Americans in the name of Kossuth not to let themselves "be turned against" their "old homeland."

The Legation points out that a large but apathetic crowd turned out to see the ceremonies which were presided over by a gathering of top level Communist leaders including both Revai and Gero. A record number of police was also present.

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Comment: Revai's speech illustrates the length to which the "hate America" campaign has gone in the Orbit and the perversion of national history to fit its aims.

6. Marshal Rokossowski delivers speech in Wroclaw: Marshal Konstanty Rokossowski, Polish Minister of National Defense, spoke on 21 September to the congress of the Polish "regained territories" in Wroclaw.

Comment: This is his first recorded public appearance since 19 July. In the interim there have been a number of occasions which he would normally attend but at which only other officials of the Ministry of National Defense were in evidence.

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His reappearance at this time coincides with the beginning of the return of Polish troops to their permanent winter barracks. This suggests that he may have been attending summer field exercises and is additional evidence that Polish maneuvers were on a higher level than last year, when they were on a regimental level.

7. Yugoslavs present final food import needs: The Yugoslav Government has presented Mutual Security Agency officials in Belgrade with revised figures of necessary food imports as a result of the drought. They state a need of 600,000 metric tons of wheat, 200,000 tons of corn, and 75,000 tons of miscellaneous foods.

Under contracts and requests already made, the Yugoslavs have arranged for imports of 390,000 tons of wheat. To be able to finance a portion of the remaining 210,000 tons under tripartite aid funds, they are willing to reduce raw material imports under the aid program in order to avoid a return to compulsory grain deliveries and food rationing. They will attempt to finance the rest of their food needs with their own resources. [REDACTED]

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Comment: The above figures are somewhat less than the original Yugoslav estimate. As yet, there has been no indication of how the Yugoslav Government will attempt to make up the full lack of foreign exchange resulting from its inability to export any grain this year.

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FAR EAST

8. Japanese urge return of war dead from Pacific Islands: According to Ambassador Murphy, the Japanese Foreign Office has threatened to announce that its war dead repatriation plan is being obstructed by apparent US reluctance to allow Japanese to enter the Pacific Trust Territories. He warns that pressure for settlement of the issue by March 1953 from the Foreign Office, which in turn is being harassed by families of the deceased, is mounting. [REDACTED]

Comment: The Japanese draft plan submitted on 26 May provided that all identifiable remains were to be disinterred and returned to Japan, while unidentifiable remains were to be buried with appropriate religious rites and marked with commemorative markers, if US permission were secured.

Since proper burial and rites are an important element in the Buddhist concept of death, this issue may become a source of anti-American feeling, and subject to possible exploitation by Communist propaganda.

SOUTHEAST ASIA

9. Magsaysay may enter 1953 Philippine presidential race: Philippine Defense Secretary Magsaysay is seriously considering entering next year's presidential campaign [REDACTED] He would use the Philippine Veterans Legion as a vehicle to gain his political ends.

The American Embassy in Manila has also been told that a group of young Filipino leaders recently sought support for Magsaysay's candidacy from a prominent opposition party member. The Embassy believes that with the support of such young leaders and the Philippine Veterans Legion, Magsaysay might be able to defeat the established political machines. [REDACTED]

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Comment: Magsaysay has no close connection with Quirino's Liberal Party machine. The Embassy has previously noted indications of his intent to use the Philippine Veterans Legion as a political vehicle. The Legion was active in the 1951 campaign for free elections and sponsored the recent Southeast Asia veterans' conference in Manila.

10. Burmese Defense Minister expresses new interest in settling Karen problem: Burmese Defense Minister Ba Swe has offered to treat Karen insurgents with extreme leniency if they surrender, according to the Minister for Karen affairs. Ba Swe also indicated that he hoped the American Embassy would persuade its Karen "friends" to accept the terms that he has offered.

The Karen Minister believes that Ba Swe's present interest in a settlement is motivated by reports of Karen cooperation with Chinese Nationalist forces and by his desire to establish a puppet regime in the Karen State.

The Embassy comments that Ba Swe may be attempting to determine if the United States is in contact with the Karen nationalists and, if so, whether it would be willing to use its good offices for a settlement. [REDACTED]

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Comment: Past experience has led the Karens to place little credence in Burman promises.

All previous suggestions of foreign assistance in settling the Karen problem, including that of Indian Prime Minister Nehru, have been rejected by Burmese Government leaders.

NEAR EAST - AFRICA

11. London press sees Cities Service president ready to defy Britain on Iranian oil: London press treatment of the 18 September press conference given in Tehran by Cities Service president W. Alton Jones emphasized that he apparently intends to move Iranian oil in the absence of an Iranian settlement with Britain and in defiance of the British embargo.

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25X1 The diplomatic correspondent of the Times took exception to this view, but admitted that the precise character of Jones' negotiations with Mossadeq cannot be determined. Other papers generally stressed that Jones could create friction between Britain and the United States, and between the American Congress and Department of State, by initiating such an American effort.

Comment: The activities of Jones in Iran until this press conference were generally accepted by British public opinion as a bona fide effort to clear away Iranian misconceptions of the complexity of the oil business. The growing suspicion that he has other motives suggests that the issue is virtually certain to be discussed in parliament, which will reconvene in mid-October.

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WESTERN EUROPE

12. Head of German Evangelical Church reportedly to visit Moscow:
Bishop Dibelius, head of Germany's Evangelical Church, is expected to accept an invitation from Russian church leaders to visit Moscow, probably at the end of November.

American officials in Berlin comment that Dibelius is "not a Niemoeller" and that his subsequent statements on the USSR may offset much of Niemoeller's harmful propaganda. They believe that the invitation reflects a Kremlin belief that the Evangelical Church can still be exploited for exerting pressure in West Germany for unity talks and for postponing ratification of the Bonn and Paris treaties. [REDACTED]

Comment: Despite his frequent statements in support of the Adenauer government and West Germany's integration with the West, Dibelius appears to be still strongly influenced by the fear of losing contact with the 40 percent of the members of his church living in East Germany.

13. Austrians may be hoping for free Danube navigation by bilateral agreements: According to American officials in Vienna, the preliminary Austro-Hungarian agreement on reciprocal use of the Danube is the first of several bilateral agreements which the Austrian Government intends to negotiate with Hungary, Yugoslavia, and Rumania in an effort to "re-establish free navigation on the Danube." [REDACTED]

Comment: Although the question of Austrian participation on the Eastern Danube Commission was apparently raised in recent Austro-Yugoslav discussions, there is no information that Austria has discussed Danube navigation with Rumania or Bulgaria. Details of the proposed Austro-Hungarian protocol are not known.

Recent Soviet guarantees of safe passage for Austrian ships on the Danube in the Soviet sector of Austria and vague promises of Austrian shipping on the Black Sea have perhaps persuaded the Austrians that the time is favorable for advancing their interests in the Danube. Since the Orbit probably has no intention of relaxing the provisions of the Belgrade Convention, Austrian navigation under its terms might raise the danger of compromising Western opposition to the statute.

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TOP SECRET SUPPLEMENT

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SOUTHEAST ASIA

1. French commander in Indochina sees Paris "enthusiastic" for continuing war: General Salan, Commander in Chief of the French forces in Indochina, states that there is an "enthusiastic climate" in France for continuing the military effort against the Viet Minh. In his conversation with Ambassador Heath the day after returning from Paris, he said that he had been assured parliament would pass the 1953 Indochina budget without difficulty.

General Salan expressed his appreciation of the action of the United States Government in expediting the delivery of additional planes. [REDACTED]

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Comment: Previous reports had stated that Salan would have difficulty in obtaining planes for his proposed airborne operations in Indochina this fall. No change is apparent in the French public's apathy toward the war, and the general may have been influenced by a recent decision of military authorities in France to send him planes, pilots, and maintenance crews by 1 November.

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NEAR EAST - AFRICA

3. Iran begins to inflate its currency: A senior official of the Iranian National Bank told the US Embassy on 23 September that about \$12,000,000 worth of new bank notes have been issued in the past two weeks. On the basis of the increased note circulation, larger drawings have been made by the National Iranian Oil Company, the Seven-Year Plan Organization, and the government for grain and opium purchases.

The official does not believe that the over-all increase can be held to the planned 20 percent without substantial oil sales or foreign aid. 

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4. Field Marshal Montgomery lends support to Greek request for aid: Deputy SHAPE Commander Montgomery has presented a signed memorandum to the Greek Chief of Staff stating that Greece cannot maintain the present level of its armed forces without outside aid. He recommended that Greece ask NATO how large an army it will be expected to make available in the event of war, and how many troops it should keep on active peacetime duty. Montgomery also suggested that Greece should inquire if NATO would meet the expenses of any forces required beyond Greece's financial capabilities.

Comment: The Athens government has already attempted to exploit similar statements by Montgomery to obtain further aid from the United States, which opposes a reduction in the Greek armed forces.

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